

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6449

BILL NUMBER: HB 1155

NOTE PREPARED: Apr 3, 2003

BILL AMENDED: Apr 3, 2003

SUBJECT: County jail construction funding.

FIRST AUTHOR: Rep. Grubb

FIRST SPONSOR: Sen. Bray

BILL STATUS: Enrolled

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill allows a county that has imposed a County Adjusted Income Tax (CAGIT) and is subject to a Federal court order issued before January 1, 2003 that covers the county jail to increase the county's CAGIT rate by 0.25% to fund construction and remodeling of county correctional facilities. The bill provides that the tax increase expires upon payment of the bonds.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) *Summary:* Under the bill, if an ordinance is adopted to increase the CAGIT rate by 0.25% after May 31, 2003 and before January 1, 2004, the Certified Distribution of the county passing an ordinance would require the SBA to re-estimate and adjust the county's Certified Distribution outside of the July certification process. This provision would impact the administrative time of the State Budget Agency (SBA). The impact to the SBA should be absorbable. See *Explanation of Local Revenues*.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Summary:* Under the bill, additional revenue from CAGIT may be used for construction, acquiring, improvement, renovation, or equipping of a county jail, related buildings, and parking facilities. Revenue may be used for the demolition of existing buildings, acquisition of land, and may be used to repay bonds issued or leases entered into for any of the expenses listed above. The term of any bonds issued or lease entered into must not exceed 30 years.

Explanation of Local Revenues: (Revised) *Summary:* Under the bill, the following criteria would have to

be met in order to increase CAGIT to a 1.25% rate. A county must operate a county jail that: is subject to Federal district court order issued before January 1, 2003 that has not been terminated; fails to meet both American Correctional Association Jail Construction and Indiana Department of Correction jail operation standards; and has insufficient funds to finance jail renovations. The impact to local revenues from this proposal would be dependent on counties meeting the criteria listed above.

The effective date of the bill is upon passage. Under the bill, a county council could adopt an ordinance to increase its CAGIT rate from April 1, 2003 to January 1, 2004. If an ordinance is adopted under the bill before June 1, 2003, the ordinance is effective July 1, 2003. If an ordinance is adopted after May 31, 2003 and before January 1, 2004 the effective date of the ordinance would be January 1, 2004. Under the adoption period May 31, 2003 to January 1, 2004, Certified Distributions with the higher CAGIT rate would begin to be received in CY 2004. (The first distribution with the higher rate would be in November 2004.)

Background:

Counties Under Federal Court Order- There are nine counties that are wholly or partially under Federal court order: Allen, Clark, Clay, Crawford, Daviess, Knox, Marion, Vanderburgh, and Wayne. Four of these counties currently impose CAGIT. Clay currently imposes CAGIT at a 1.0% rate with a CY 2003 Certified Distribution of \$3,761,506. Four impose the County Option Income Tax (Allen, Knox, Marion, and Vanderburgh). Clark has not adopted a local option income tax. (Daviess and Wayne Counties have already increased their CAGIT rate to 1.25% to cover renovations and/or construction of jails.)

CAGIT- Under current law, the county council may impose CAGIT at either a 0.5%, 0.75%, or 1.0% rate. Under current law, a county must adopt a rate increase in CAGIT by April 1 of a given year. In July of that year, the State Budget Agency calculates a certified distribution for the following year. (CAGIT counties do not receive any additional certified shares until May and November of the year following the rate increase and certified distribution.)

CAGIT & County Economic Development Income Tax (CEDIT) - Current law allows, with few exceptions, a maximum combined CAGIT and CEDIT rate of 1.25%.

State Agencies Affected: State Budget Agency; Department of State Revenue.

Local Agencies Affected: Counties imposing CAGIT that meet the criteria of the bill.

Information Sources: Kathy Lisby, Department of Correction; David Bottorff, Association of Indiana Counties (317) 684-3710; Clay County Circuit Court; State Budget Agency.

Fiscal Analyst: Chris Baker, 317-232-9851